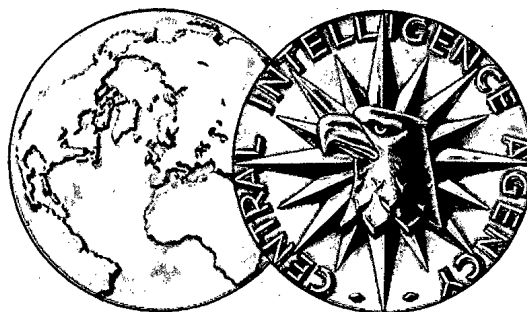


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WEEKLY SUMMARY



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H I G H L I G H T S

One week after the British announcement of the devaluation of the pound it appeared that the action taken by the UK had not fundamentally changed the stability of the Western European situation. In France, prospects are diminishing that grave damage will be done to the French economy through a wave of strikes, despite deepening worker dissatisfaction, and the Government's unimproved fiscal situation (see page 2). Possibilities for the suspension of rail communications between Berlin and western Germany have been increased, however, by the failure of the Soviet-controlled Reichsbahn to live up to its June agreements with western workers (see page 2).

Evidence continues to grow that Marshal Tito's defection from the Soviet orbit is having a disintegrating effect upon international Communism, a development which could culminate in a Tito-led, anti-Stalinist Communist movement (see page 5). The Soviet reaction to this still-distant threat can be seen in its strenuous efforts to keep its Satellite Communist parties in line, now being exemplified by the Rajk trial in Hungary (see page 7). Meanwhile, Yugoslavia has again taken the initiative in the Kremlin-Tito dispute by seeking a seat on the UN Security Council, a significant departure from its previous anti-Moscow tactics which have been "within-the-family" moves (see page 6).

In another phase of the Soviet Union's Eastern European relations, the recent behavior of the Greek guerrillas suggests that the Kremlin may have ordered the stopping of all major guerrilla activities in Greece in order to give the world and the UN General Assembly the impression that US military aid should now be withdrawn from Greece (see page 8).

WESTERN EUROPE

FRANCE

Strike Prospects Prospects are diminishing for grave strike damage to the French economy within the next sixty days, although limited local strikes may result from deepening worker dissatisfaction and the Government's increasing fiscal difficulties. Both the non-Communist Force Ouvriere (FO) and the Communist General Confederation of Labor (CGT), having discovered that the workers are not ready to support sustained strikes, probably fear that a repetition of the strike failures of 1947-48 might destroy effective worker support for the cause of organized labor. Throughout October, the CGT will probably utilize its ablest organizers within key areas and industries but will hesitate to take drastic action, especially because support from the coal miners, which is vital to a nation-wide strike offensive, is lacking. Likewise, the FO, in its anxiety to avoid a major strike failure and a further decline in membership, has approached the employers' association with proposals that: (1) the Government be asked to approve an immediate 25% increase in the present basic minimum wage; and (2) industry agree not to raise prices. In view of the diminishing strike threat and the solidifying Government opposition to labor's wage demands, the employers' association is not likely to accept the FO's proposals.

GERMANY

Berlin Strike Rail communications between western Germany and Berlin may be suspended, if rail workers in the western sectors of Berlin decide to strike because the Soviet-controlled Reichsbahn has not fulfilled

GERMANY

the strike settlement agreements made in June. The Reichsbahn has failed to increase its payments in westmarks over the minimum level of 60% to workers living in west Berlin and has also violated a no-reprisal clause in the agreement by sending dismissal notices to approximately 2,000 workers. Prospects for an improvement in conditions for the west Berlin rail workers are slight. The Berlin Magistrat, which in accordance with the strike settlement terms has been converting up to 40% of the workers eastmark wages into westmarks at the ratio of 1 to 1, cannot without outside assistance continue the payments after 30 September, when conversion is scheduled to end. On the other hand, it is unlikely that the Reichsbahn will at that time increase the percentage of westmark payments, despite estimated Reichsbahn receipts of sufficient westmarks for payment entirely in that currency. Moreover, any attempt by the western powers to coerce the USSR into making payments in westmarks would probably evoke Soviet retaliation rather than compliance and be exploited as a violation of the Paris directive issued by the Council of Foreign Ministers to the Berlin commandants.

THE NETHERLANDS

Hague Conference Dutch and Indonesian leaders at the Hague Conference, by making substantial progress on the important Netherlands-Indonesian Union statute, have paved the way for early discussions on the far more complex and difficult question of an economic and financial accord. Although some difficulties may occur in obtaining formal concurrence from all the Indonesian delegates to the compromise agreement on the Union statute,

THE NETHERLANDS

it is not believed that this issue will be an obstacle to further negotiations. The rate of progress in the financial talks will in large measure determine the success of the conference in achieving a complete settlement of Dutch-Indonesian differences. Only if the Indonesians meet the Dutch part way and considerable progress is made in the economic discussions in the near future will conciliatory Dutch officials be able to continue dominating the Dutch delegation and effect a modification of Dutch economic and financial demands.

E A S T E R N E U R O P E

Communist Deviation Within recent weeks, the dis-integrating effect on international Communism of Tito's defection from the Soviet orbit has become increasingly apparent and could eventually result in the formation of a Tito supported, anti-Stalinist Communist movement. In France, Germany, and Italy, Communists supporting Tito have defied the Party, and there are increasing indications that groups as yet unorganized have rallied to his support even in the Satellites. At some future time, these dissidents who opposed Soviet Communism both before and after the Tito-Kremlin rift may unite to form an organization which would seriously challenge the Soviet position as the leading Communist state and as the sole interpreter of Communist doctrine. A necessary premise to an amalgamation of these dissident Communist groups is the need to abandon the many sharply divergent interpretations of the Marxist-Leninist doctrine. If a dispute on these divergent views could be postponed temporarily, a Communist movement, not oriented toward Moscow and without prejudice to national sovereignty, might develop that would carry considerably more appeal and influence, especially in non-Communist countries, than Stalinism. In the Satellites, the USSR has already felt it necessary to take stringent measures against nationalist deviation. Tito would undoubtedly sympathize with any such anti-Stalinist defection, but he is not likely to give his overt support to it at this time. If, however, an independent Communist movement gains momentum, he might well aspire to become its rallying point.

YUGOSLAVIA

Security Council Seat In seeking a seat for Yugoslavia on the UN Security Council, Marshal Tito has again taken the initiative in widening the rift between Yugoslavia and the USSR. This step would make a Tito-Stalin reconciliation more unlikely than ever and would: (1) give Yugoslavia a strategic position for directing UN attention to dangerous Kremlin pressure, thus providing additional insurance against Soviet aggression; (2) increase the internal and international prestige of the Tito regime; (3) provide Tito with greater opportunity to assert the ideological superiority of Yugoslav Communism to Stalinism; and (4) thus encourage the development of Titoist tendencies in Communist parties throughout the world and particularly in the Far East.

Soviet reaction to the election of Yugoslavia as a replacement for the Ukraine on the Security Council would be violently antagonistic. Loss of a seat traditionally reserved for a Soviet-bloc member would be injury enough; granting that seat to the Kremlin's arch-enemy would be the crowning insult. Well aware of the increased opportunities afforded Tito for resisting Soviet pressure and fearful of Yugoslav ability to use its new position to undermine the allegiance of Communists to Moscow, the USSR might become even more intransigent in its relations with the West. Prospects for Soviet concessions on such issues as the Austrian peace treaty and the Greek dispute might therefore be reduced.

Yugoslavia as a member of the Security Council would not, however, be a full-fledged supporter of the western powers. In general, Yugoslavia would probably adopt a policy of supporting the small nations against the "imperialism" of the great powers, both East and West. Where Soviet and Yugoslav interests clashed, as in Greece or Trieste, Yugoslavia would undoubtedly vote against the USSR, while on many East-West

YUGOSLAVIA

issues Yugoslavia would probably abstain. Because Tito could not maintain his claim to being the true interpreter of Communism if he consistently sided with the capitalist West, Yugoslavia could be expected to vote against the West on issues involving western colonialism in the Near and Far East. In following such a line, Tito would therefore often be voting with the USSR against the western colonial powers.

HUNGARY

Treason Trial The current trial in Budapest involving ex-Minister of Interior Laszlo Rajk and other disaffected Communists differs in one important respect from the numerous postwar treason trials in the Satellites. Until now, the arch-enemy, has been the "imperialist" West. In the current trial, Tito has replaced the West as the principal villain. Although the trial is thus another weapon being used by the Kremlin in the war of nerves against Yugoslavia, it is designed primarily to unify the Party by eliminating a dangerous deviationist group and to demonstrate to Communists throughout the Soviet orbit the futility of defying the USSR. That the Kremlin feels it necessary to stage the trial at this time, however, indicates both the strength of anti-Moscow feeling among Satellite Communists and the need for continuing drastic measures by the USSR to keep its Satellite parties in line.

GREECE

Guerrilla Retrenchment Recent Greek guerrilla behavior suggests that the rebel high command is planning the unobtrusive cessation, at least for the present, of all but scattered, small-scale activities. Last week some 770 guerrillas fled to Bulgaria, and many of the 2,350 guerrillas still scattered through Greece may soon attempt similar withdrawals into Albania. Meanwhile, guerrilla propaganda for a formal peace settlement continues at a low ebb. The guerrillas may now recognize that the summer's defeats have left them virtually no bargaining power with which to seek an even moderately favorable peace settlement. The Kremlin may therefore be attempting to provide the western powers, the Greek Government, and the world in general with the impression that peace has at last come to Greece, thus paving the way for a Soviet stand at the UN which would stress the need for the withdrawal of US military influence from Greece.

The cessation of major guerrilla operations this fall would not preclude a resumption of full-scale activities as soon as circumstances were more favorable. The estimated 10,000 combat-fit guerrillas who could be collected behind the Albanian and Bulgarian frontiers could be strengthened and reorganized in the hope that by 1950 or later a reduction in US aid to Greece or the elimination of Tito would provide a basis for a military resurgence. Within Greece, scattered sabotage, terrorism, and intelligence activities could continue, with the ranks of those available for future action steadily swelled by the release of Communist sympathizers from the government's concentration camps.

F A R E A S T

CHINA

Military Lull In the slowly developing Chinese military situation, Communist forces have reportedly captured Amoy, a major Fukien port, and made successful landings on Pingtan island off the coast of Fukien. The capture of Amoy will give the Communists control of the Fukien coast as well as a base for their promised attack on Taiwan. Moreover, with the arrival of Chiang Kai-shek in Canton and his reported efforts to withdraw the forces protecting Pai Chung-hsi's right flank, an early Communist breakthrough to Canton is expected. The Communist radio has announced that Suiyuan Province in northwest China has been peacefully absorbed by the Communists. The turnover apparently followed shortly after the "escape" of Fu Tso-yi from Peiping to Kueisui, capital of Suiyuan.

THE FUTURE OF JERUSALEM

Israel's Foreign Minister, Jerusalem's Jewish and Arab press, and the Vatican have already made severe attacks on the draft statute for a permanent international regime for the Jerusalem area, drawn up by the Palestine Conciliation Commission (PCC) and recently released by the UN Secretariat. The statute, which the General Assembly will consider during the current session, would divide the Jerusalem area into a Jewish and an Arab zone. Only municipal, as opposed to national, authorities would be permitted to function in each zone. Immigration to the area would not be allowed to alter the balance between Jewish and Arab populations. Both zones would be completely demilitarized, although each would be permitted a police force not to exceed five hundred. An international administration for the whole area would be superimposed on the two sets of municipal authorities in order to protect and ensure free access to Holy Places (throughout Palestine as well as in Jerusalem), to coordinate and operate the main public services, and to encourage economic cooperation between the two zones. This international administration would consist of: (1) a UN-appointed commissioner; (2) a fourteen-man mixed Jewish-Arab General Council, presided over by the Commissioner; (3) a three-man UN-appointed International Tribunal; and (4) a three-man Mixed Tribunal with the UN, the Israelis, and the Arabs each appointing one member.

Israel's chief objections to the statute are that: (1) Jewish Jerusalem is an integral part of Israel, has long been Israel's prospective capital, and will not submit to a non-Israeli authority; (2) the attempt to maintain a racial balance between Jewish and Arab populations would impinge on the cherished Israeli tenet that all Jews should be free

to immigrate to Jewish Jerusalem; (3) Jewish Jerusalem, because it is surrounded on three sides by Arab territory, must be permitted a defense force; and (4) Israel cannot permit UN agencies to exercise executive authority and jurisdiction over internal affairs in Israel (that is, over the Holy Places within Israel). The Arabs will oppose the statute on the grounds that it would: (1) deprive them of their centuries-old function of protecting the Holy Places; (2) force on them economic and administrative cooperation with the Jews in the General Council; and (3) after demilitarization, give Jewish terrorists the opportunity to seize areas now held by Arabs. The Vatican, the chief spokesman for Christian interests in Jerusalem, believes that the statute: (1) fails to provide full international control, without which the safety of the Holy Places could not be guaranteed; and (2) would inevitably cause further dissension between Jews and Arabs.

In view of the divergent interests reflected in these objections, it is difficult to foresee the fate of the Jerusalem statute in the General Assembly. The initial adverse reaction of Jews, Arabs, and Christians may be somewhat modified during the discussions, and much will depend on the ability of the Vatican to rally the Christian world in support of internationalization in the face of Israeli nationalist aspirations and Arab obstructionism.

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